

## Utilities trending to performance guarantees

The words “satisfaction guaranteed” generally have not applied to the world of regulated utilities. But that’s changing as a number of companies are offering customers guaranteed performance on items such as keeping appointments and restoring service.

In addition, a growing number of companies are operating under “report cards” which track the ongoing performance of their technical and customer service operations. Depending on what “grade” the company receives on its report card, customers may see a credit on their bill.

For years, depending on the circumstances, many utilities would (and still will) credit customers who experienced service problems. Because the policies were informal, customers had to know what to ask, and payment was not assured. Now the trend is toward more formal policies that spell out the company responsibility and the payment to customers if a commitment is not met.

Not every company has a formal policy, but the trend seems to be growing. More companies are making specific service promises and backing those promises with bucks. But not all companies have such policies and they differ from company to company.

**Turn to pages 4 and 5** for a description of the biggest programs, where to turn for more information, and practical tips about the kind of information you will need to get the full benefit from these service guarantees.

## Telephone mergers may mean more than a name change

If you have noticed a new name on your phone bill, you’re not alone. This year, the two largest local phone companies in Washington went through mergers that resulted in new names for both.

GTE Northwest, with close to 900,000 local phone customers in Washington, has merged with Bell Atlantic which was the “Bell” company for Pennsylvania, Virginia and other mid-Atlantic Coast states. The merged company is now called Verizon.

U S West, with approximately 3 million local phone customers in Washington, has merged with Qwest, a relatively new telecommunications company which until the merger did not focus on local telephone service. The new company is called Qwest.

But the change is not in name alone. Mergers usually result in different management styles, corporate cultures and business strategies.

The UTC’s role in these mergers is to ensure that captive customers of these regulated companies are not harmed by the mergers.

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## COMMISSIONERS CORNER

By  
**Commissioner  
Bill Gillis**

Telephone competition. What does it mean to you? For some, it may mean more choices and better selection.

For others, it may mean more confusion and less reliability.



In my work at the UTC and with the national organization of state regulators I have found that the beauty of competition is truly in the eye of the beholder. Recently, we were able to determine that customer complaints regarding the two largest long-distance companies, AT&T and MCI Worldcom, had tripled in a two-year period.

The information was gathered in a survey conducted by the Committee on Consumer Affairs of the National Association of Regulatory Utility Commissioners (NARUC), and included information provided by 28 states. AT&T and MCI Worldcom customers logged over 37,000 complaints with 28 state public utility commissions in 1999 — almost three times the number of complaints received by those states in 1997.

This data shows us that competition has not been the panacea for excellent customer service that it's been touted to be. The long-distance market is the most competitive market in the telecommunications industry, and yet consumer complaints have increased at an alarming rate for the past three years.

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# 2000 Legislation of UTC interest

## **HB 2565 - Electricity content labels for consumers**

Beginning in 2001, your utility must provide a standard label disclosing to customers the source of the electricity it sells. Since most utilities use a mix of electricity sources, the disclosure will use percentages based on the previous year's energy mix. For instance, a utility might reveal its electricity is 70 percent hydroelectricpower, 20 percent coal generation and 10 percent nuclear generation.

## **HB 2420 - A comprehensive pipeline safety**

This bill beefs up the state's pipeline safety program. The UTC is charged with administering and enforcing all safety laws related to natural gas and hazardous liquid pipelines. Because of an agreement with the federal Office of Pipeline Safety (OPS), UTC engineers will inspect all pipelines in the state, including those under OPS jurisdiction.

The UTC also must develop a pipeline damage prevention training program, require mapping of hazardous liquid pipelines, and establish a single state-wide telephone number to be used for referring excavators to the appropriate one-number locator service.

## **HB 2881 - Streamlined review of alternative regulation**

The UTC's authority to approve alternative forms of regulation for former monopoly telephone companies has been streamlined. Decisions regarding proposed alternative regulatory forms must be made within nine months.

## **SB 6675 - PUDs\Ports may provide wholesale telecom services**

This bill grants existing public utility districts and rural port districts the authority to sell telecommunications services to other telecommunications companies on a wholesale basis. The districts must ensure their wholesale rates are not unreasonably discriminatory.

Anyone requesting wholesale telecommunications services from a district may seek review of rates, terms, and conditions by the UTC if they believe the district is acting in an unreasonably discriminatory or preferential manner and have given the district 30-days to review and act on the allegations.

# CONSUMER NEWS IN BRIEF

## Natural Gas prices on the rise

Tighter natural gas supply is resulting in higher rates for natural gas customers. In August, Puget Sound Energy raised residential rates 27.5 percent; Cascade Natural Gas raised residential rates by 15.8 percent and Northwest Natural Gas raised rates by 21.9 percent. Avista has proposed a 28 percent increase in natural gas rates effective Sept. 1.

The UTC reviews all proposed increases by regulated natural gas distribution companies. However, since the wholesale natural gas market is unregulated, increases that genuinely reflect the cost of wholesale natural gas are passed through to customers. The companies do not receive any profit or financial gain from the increase.

## New area code postponed

The new 564 area code, originally scheduled to be introduced by now, will not be made available until fall of next year. The schedule change also postpones the advent of 10-digit local dialing.

When originally proposed, 564 area code numbers would have been used as needed in the 360 area code region starting this August. Stricter number rationing combined with reallocating unused prefixes have resulted in a longer duration before a new area code is needed.

Starting Oct. 20, 2001, numbers from the 564 area code will be made available as needed anywhere in Western Washington. Projections show that other parts of Western Washington, particularly the greater Seattle area, will need additional numbers by then. When 564 is finally introduced fall of next year, all of Western Washington will have to dial 10 numbers when completing a local call.

## Wallet-size payphone tips available

As a result of a substantial penalty assessed against a pay phone company recently, the UTC is producing a new wallet-size information card for you to carry on your travels. We routinely receive complaints from customers who have been ripped off because they made the wrong choice when operating a pay phone or hotel phone. The size and shape of a business card, our wallet card carries the most essential information you will need to know when using a payphone or motel phone. Call us for your free copy and remember: "Don't leave home without it."

## Mergers

### Continued from page 1

In both mergers, the companies involved reached agreement with UTC regulatory staff. The agreements were later approved by the commissioners.

The agreement addressing the GTE (Verizon) merger has already affected customer phone rates. Most residential and business rates will see a decline in local rates and all customers should see lower in-state toll rates. The rate changes will be phased in by July 2001. By that time, the company will have reduced rates by \$30 million a year.

The agreement that settled the U S West merger did not result in rate reductions. Instead the focus of the merger was improved service quality. Qwest will continue providing the customer service guarantees established previously and will establish new credits which apply to more situations where service quality problems might arise. (see page 5)

In addition, Qwest is obligated to provide faster handling of complaints from customers and to regularly report on its performance. If the company fails to live up to service-quality standards, the UTC could require Qwest to refund up to \$20 million a year to customers.

Not all proposed mergers meet with approval from regulators. Commission staff came out in opposition to the proposed merger of MCI-Worldcom and Sprint. Staff believed the merger would harm customers by limiting their choice in long-distance service. Other entities, including the U. S. Department of Justice, also opposed the merger. On July 13, Worldcom announced that the merger effort had been terminated.

# Four major utilities offer service guarantees

Every regulated company in Washington must meet certain service quality and customer service standards depending on the type of utility service provided. For these general standards, review our Smart Consumer Guide to Public Utilities Services. Call us for a free copy. The customer guarantees below are in addition to existing state standards.

*Service guarantees back company promises to customers with bucks.*

## **PacifiCorp (ScottishPower)**

Serving primarily in the Yakima and Walla Walla areas, PacifiCorp (Scottish Power) makes a number of guarantees, for which it will issue bill credits.

If a customer loses electricity supply because of a fault in the company's system, and the company doesn't restore power in 24 hours, residential customers can claim \$50 and commercial/industrial customers \$100. For each extra period of 12 hours that the power hasn't been activated, the customer can claim an additional \$25.

If the company doesn't keep a mutually-agreed appointment period (morning or afternoon), the company will credit the customer \$50. When a customer requests power at a location that is currently served, the company will activate power within 24 hours or credit the customer \$50. For each extra 12 hour period, the company will credit an additional \$25.

When a customer requests power where none exists currently, the company guarantees to call back within two business days and schedule an appointment with an estimator. If construction is needed, the company will then provide a written estimate within 15 days of the appointment. If no changes are needed the period is

five days. The company will credit \$50 if it fails to meet the guaranteed dates.

The company will credit a customer \$50 if it fails to investigate and respond within 15 business days to a bill inquiry or a meter complaint. The company has seven days to investigate a power quality complaint.

The company will provide two days notice of power outages for planned maintenance or testing or will credit \$50 for residential or \$100 for commercial/industrial customers.

The company will provide regular reports to the UTC on service quality and performance.

## **Puget Sound Energy (PSE)**

Serving electricity and natural gas customers in Western Washington, PSE credits customers \$50 if it fails to meet a scheduled appointment. The commitment applies to all mutually agreed on appointments to connect new permanent service lines and meters, reestablish existing gas and electric service and service equipment.

PSE also files a "report card" known as the Service Quality Index which covers customer satisfaction, response times, and interruptions. If the company fails to meet targets, customers may receive a bill credit.

### **Qwest (formerly US West)**

Serving mostly urban areas throughout the state, Qwest credits customers \$50 for a missed appointment or service commitment. Customers get a \$5 credit for any service outage that lasts for more than two, but less than eight calendar days (excluding Sundays and holidays). If the service outage lasts eight days or more (again excluding Sundays and holidays), Qwest provides the customer a credit for the full month of phone service.

Qwest waives installation charges when the company is not able to install service within five business days of the customer's order. Customers may also be eligible for a wireless loaner phone or other services that help the customer get by until a phone is installed.

Each year Qwest must submit a service quality performance report to the UTC for the previous year. If the company does not meet standards for service and performance such as dial-tone or trouble-free operation, customers may receive a bill credit. Total customer credits can be as high as \$20 million a year.

### **Verizon (formerly GTE)**

Serving primarily suburban and rural areas throughout Washington, Verizon's guarantees focus on service interruption and appointments.

For service interruptions that last more than 24 hours from the time they are reported to the company, Verizon will, on request, credit a pro-rated portion of the monthly rate.

Where the company fails to complete as agreed an installation or repair, the company will credit \$25 for residential service and \$100 for business service.

## **Making the Most of Service Guarantees**

### **1. Get it in writing if possible.**

Most guarantees refer to agreed-upon installation or repair dates. A written appointment is your best evidence of the date you were promised. Where it isn't practical to get a written document, ask for the name of the person you are talking to and note the time and date of your conversation.

### **2. Ask for the credit.**

While in many cases the company is supposed to automatically credit your account, in others no credit is due unless the customer specifically asks. Also, find out when you can expect the credit to show up on your bill.

### **3. Watch your bill.**

Make sure the credit appears as you expected. If not, be sure to call the company and ask for an explanation.

### **4. Be aware of conditions.**

Generally such guarantees do not apply in situations where the region or area is experiencing a major storm, earthquake or other event that is beyond the control of the company.

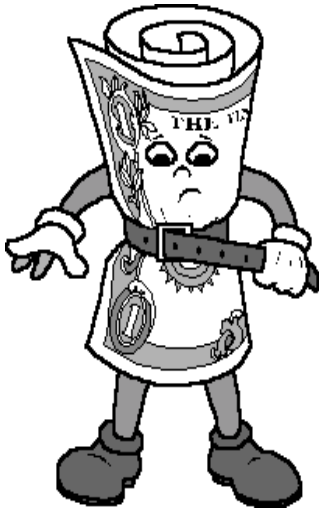
### **5. Let us know if there is a problem.**

If you've contacted the company and still need help, call us. You can talk with our Consumer Affairs staff toll-free at 1-800-562-6150. Be sure to tell us your name and contact phone and address, the name of the company, and information about the nature of your problem and your contact with the company.

*For more  
consumer  
information,  
visit our  
website  
[www.utc.wa.gov](http://www.utc.wa.gov)*

## FREQUENTLY ASKED QUESTIONS

# Spreading the high cost of winter heating throughout the year



*While natural gas rates are on the rise, most people won't feel those increases until the chill of winter forces us to turn the furnace on. And then, it will be too late to avoid the sticker shock.*

*But there is a way to smooth out those high heating bills. All Washington customers of regulated companies have a billing arrangement available to them that allows them to average their monthly bill. It may not make the weather feel like summer, but your checkbook will notice the difference.*

### **What is budget billing?**

Essentially, budget billing is a system where you are billed the same amount each month for your electricity or natural gas usage throughout the entire year.

### **What is the advantage of budget billing?**

Budget billing gives you more certainty about what your electric or natural gas bill will be from month to month. Instead of paying high bills in the winter and low bills in the summer, you pay relatively the same amount all year round.

In essence, for the price of paying a bit more than you normally would during the summer, you avoid a shock to your checking account during the winter.

### **How is the budget bill amount calculated?**

Your energy company estimates your payment based on your previous year's consumption. You are then billed each month for one-twelfth of that amount.

### **How often is the bill calculated?**

Your budget payment is reviewed every four months. Adjustments are made automatically every four months to reflect any variations from previous use. At the end of the 12-month budget period, a "true up" is done to ensure that you pay only for the energy used.

### **How do I sign up for budget billing?**

Budget billing is available for both electric and natural gas services. Contact your provider for information on their particular budget plan.



## FROM THE UTC LIBRARY

Electricity prices have been hot news this summer as wholesale prices for electricity in Washington spiked to more than \$1,000 per megawatt-hour. That's 50 times the usual market price of \$20 per megawatt-hour! A megawatt-hour is 1,000 kilowatts - - or 1 million watts - - consumed over an hour.

The wholesale price is the amount that your utility company pays for the electricity that it sells to you. To better understand what is happening and why, and for tips on how to cope with it, here are some good information resources for residential and small-business electricity consumers:

**"Power Switch Flips Priorities in Northwest"**, a July 16, 2000, *Tacoma News Tribune* article by Al Gibbs.

**"Avista Asking Customers to Power Down"**, an article by Bert Caldwell, which appeared in the Spokane *Spokesman Review* on June 29, 2000.

**"Utilities Trying New Approaches to Pricing Energy"**, a front-page article by Matthew L. Wald in the *New York Times* on July 17, 2000.

**The Northwest Power Planning Council** issued a report earlier this year predicting a 24 percent chance of an electricity blackout in our region sometime during the next four winters. The report was followed by identification of a number of demand-reduction techniques that would help during an energy crisis. Website is <http://www.nwppc.org/>. Toll-free number is 1-800-452-5161.

The **Alliance To Save Energy (ASE)** recently issued a white paper entitled "The Contribution of Energy-Efficiency to the Reliability of the U.S. Electric System" and a fact sheet. These are available by calling the ASE at 202-530-2217. Also available at its website, along with other energy information, at: <http://www.ase.org/electricity>.

More energy-saving tips and advice for handling an electricity emergency are available from your local electric utility company.

*Mary Lu White is UTC Librarian. If you have questions or suggestions for future topics, you can contact her at 360-664-1199 or by e-mail at [mwhite@wutc.wa.gov](mailto:mwhite@wutc.wa.gov).*

## Commissioner's Corner Continued from page 2

We believe many of these complaints were the result of unclear bills. Washington customers particularly have struggled with problems such as charges in excess of the advertised amount and charges after service was cancelled.

(I should point out that MCI complaints for 2000 are on a trend down from the 1999 level. Even so, MCI complaints are still over twice the 1997 level.)

Regulators from all over the country are working through our national organization to come up with a unified response to this rise in complaints. One idea is develop a "truth-in-billing" template that would ensure that consumers are better able to understand their telephone bills, resulting in fewer complaints and an increased understanding of the telecommunications marketplace.

Another tactic is to send the signal that poor customer service will not be tolerated. I am reasonably confident that if the industry and regulators are able to work together, we can find reasonable solutions to unclear and confusing customer bills and reduce the overall number of complaints.

But no amount of our work can replace the work you can do at home. Read your telephone bill and question things you do not understand. The UTC offers fact sheets that help you understand your billing and shop for a long-distance service that best meets your needs. You can avail yourself of these free materials and ask further questions by calling toll-free (for Washington state calls) 1-800-562-6150.

W A S H I N G T O N



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Washington Utilities and  
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P.O. Box 47250  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250

Toll Free: 1-800-562-6150  
Phone: (360)664-1160  
Fax: (360)586-1150  
TTY: 1-877-210-5963 (toll free)  
Web site: [www.wutc.wa.gov](http://www.wutc.wa.gov)  
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## ***In This Issue***

*Learn how to keep your winter heating bills lower and how to take  
advantage of customer service guarantees offered by your electricity  
and telephone company.*

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